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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JULY 24, 2001

APPLICATION OF

PRINCE GEORGE ELECTRIC COOPERATIVE

CASE NO. PUE000734

For a general increase in rates

and

APPLICATION OF

PRINCE GEORGE ELECTRIC COOPERATIVE

CASE NO. PUE010001

For approval of a functional  
separation plan pursuant to  
the Virginia Electric Utility  
Restructuring Act

ORDER PERMITTING WITHDRAWAL OF RATE APPLICATION

On December 29, 2000, Prince George Electric Cooperative ("PGEC" or "the Cooperative") filed an application for a general increase in rates with the State Corporation Commission ("Commission") pursuant to § 56-582 A 3 of the Code of Virginia. This application proposed to increase the Cooperative's rates for electric service and various fees and charges and sought authority to revise portions of the Cooperative's Terms and Conditions of Service in a way that increased the prices PGEC's members would pay for services such as PGEC's extension of electric lines to consumers. PGEC requested approval of rates that would produce additional annual jurisdictional revenues of

\$1,115,845 in 2001, that, according to the Cooperative would produce a Times Interest Earned Ratio ("TIER") of 2.00.

In its January 19, 2001, Order for Notice and Hearing, the Commission permitted PGEC's proposed rates, charges, fees, and terms and conditions of service to take effect on January 1, 2001, on an interim basis, pursuant to § 56-582 A 3 of the Code of Virginia. That Order appointed a Hearing Examiner to the matter, directed the Cooperative to publish notice of its application, and established a procedural schedule for the Cooperative, Staff, Protestants and other parties to the proceeding.

On February 5, 2001, the Commission issued its "Order for Notice and Comment and Establishing Revised Procedural Schedule". In that Order, the Commission noted that PGEC had filed an application for approval of a plan for functional separation pursuant to § 56-590 of the Code of Virginia, and the Commission's Regulations Governing the Functional Separation of Incumbent Electric Utilities under the Virginia Electric Utility Restructuring Act, 20 VAC 5-202-10 et seq. ("Regulations").

In its application for approval of a plan for functional separation plan, the Cooperative requested that the Commission waive the requirements of 20 VAC 5-202-40 B 7 and adopt the cost of service study filed by the Cooperative in its rate application, docketed as Case No. PUE000734. PGEC also

requested that the Commission waive 20 VAC 5-202-40 B 8 that required unbundled tariffs, rates, and terms and conditions of service be submitted with the Cooperative's functional separation plan. PGEC alleged that it submitted such information in Case No. PUE000734, and requested that the Commission accept and adopt that information for purposes of its filing in the functional separation proceeding. The Cooperative explained that the rates developed in Case No. PUE000734, its rate application, would provide the basis for its rate unbundling in Case No. PUE010001.

In our February 5 Order, among other things, we docketed PGEC's functional separation plan as Case No. PUE010001, determined to consider PGEC's functional separation plan in conjunction with its rate application, revised the procedural schedule established for Case No. PUE000734, and rescheduled the hearing originally set for June 6, 2001, to September 11, 2001. We also provided that all other provisions of our January 19, 2001, Order entered in Case No. PUE000734 would remain in full force and effect.

On June 18, 2001, the Cooperative, by counsel, filed a Motion to Withdraw. In its Motion, PGEC requested leave to withdraw its rate application, "[a]s a result of circumstances beyond its control". It maintained that withdrawal of its application would not prejudice or adversely affect any other

parties, since, after public advertisement and notice to its members and other interested parties, no parties have filed written comments or requested leave to participate in the proceeding. PGEC acknowledged that it would be necessary for it to prepare and file a revised cost of service study to support its application for approval of a functional separation plan in Case No. PUE010001, and represented that it would do so in a timely manner so as not to delay the Commission's consideration of Case No. PUE010001. The Cooperative also noted that it had collected revenues from its members pursuant to rates and charges filed with the Commission on January 1, 2001, and represented that prompt approval of the Cooperative's Motion would permit PGEC to provide refunds to its members as soon as possible. The Cooperative requested that the Commission enter an Order that allows it to withdraw its rate application, provides for customer refunds and grants such further relief as was necessary.

On June 27, 2001, the Commission Staff filed its response to the Cooperative's June 18, 2001 Motion. In its response, the Staff noted that it did not oppose PGEC's request to withdraw the rate application, provided that: (i) all elements of the Cooperative's application, including the Cooperative's terms and conditions of service were withdrawn; (ii) as is the usual practice when rate applications are withdrawn, the Cooperative

refund with interest, the difference between the rates, fees, charges, and terms and conditions of service that increase the amounts paid by PGEC's customers for electric service that took effect on an interim basis on January 1, 2001, and those rates, fees, charges, and terms and conditions of service in effect on December 31, 2000, as adjusted to reflect the changes in Virginia's tax statutes that took effect on January 1, 2001;

(iii) upon completion of its refunds, the Cooperative promptly file with the Division of Energy Regulation a document indicating that the refunds have been lawfully made; and

(iv) within two weeks of the entry of an Order dismissing the rate application, PGEC file the rates, tariffs, fees, charges, terms and conditions of service and a 1999 per books cost of service study that the Cooperative intends to rely upon to support its application for functional separation docketed as Case No. PUE010001.

On July 2, 2001, PGEC, by counsel, filed a letter advising that it would be able to file a cost of service study and its unbundled rates in Case No. PUE010001, within two weeks of the entry of a Final Order in its rate application, but that it would not be in a position to file its terms and conditions of service or unbundled tariff schedules. It noted that since it had not yet finalized new terms and conditions and schedules applicable to retail open access, it would request a waiver of

the requirements of 20 VAC 5-202-40 B 8 in Case No. PUE010001, and seek leave to file its terms and conditions of service and rate schedules at a later time. PGEC requested that in issuing an order permitting the Cooperative to withdraw its application that the Commission require it to file only the cost of service study and proposed unbundled rates that it intends to rely on in support of its application for approval of its functional separation plan docketed as Case No. PUE010001.

On July 12, 2001, the Hearing Examiner assigned to this matter issued his Report. In his Report, the Examiner found that the Cooperative's June 18 Motion should be granted and that the hearing scheduled for September 11, 2001, in Case No. PUE000734 should be cancelled. The Hearing Examiner recommended that the Commission enter an Order dismissing the rate application from its docket of pending proceedings; directing PGEC to refund with interest the difference between the rates, fees, charges and terms and conditions of service that became effective on January 1, 2001, and those that were in effect as of December 31, 2000, as adjusted to remove the effect of gross receipts taxes; and directing the Cooperative to file a revised cost of service study and the unbundled rates it intends to rely upon in support of its application for approval of a functional separation plan in Case No. PUE010001, within two weeks of the entry of a final order dismissing PGEC's rate application. The

Hearing Examiner invited parties to file comments to his report within seven days from the entry of the same.

On July 13, 2001, PGEC, by counsel filed a letter with the Clerk of the Commission, urging the Commission to adopt the Hearing Examiner's recommendations, and waiving the seven day time period in which parties have an opportunity to comment on the Hearing Examiner's Report.

NOW UPON consideration of the record herein, pleadings, and the July 12, 2001 Hearing Examiner's Report, the Commission is of the opinion and finds that PGEC should be permitted to withdraw its rate application; that the Cooperative should refund with interest the difference between the rates, fees, charges, and terms and conditions of service that became effective on January 1, 2001, and those that were in effect as of December 31, 2000, adjusted to reflect the changes in Virginia's tax statutes, § 58.1-2900 et seq. of the Code of Virginia that became effective on January 1, 2001; that PGEC should file in Case No. PUE010001, within fourteen days of the entry this Order, the cost of service study and proposed unbundled rates, fees, and charges the Cooperative intends to rely upon in support of its application for functional separation; and that Case No. PUE000734 should be dismissed from the Commission's docket of active proceedings.

Accordingly, IT IS ORDERED THAT:

(1) The Cooperative's June 15, 2001 "Motion to Withdraw" is hereby granted.

(2) PGEC is granted leave to withdraw its entire rate application, including its proposed changes to its terms and conditions of service, fees and charges, docketed as Case No. PUE000734.

(3) On or before December 3, 2001, the Cooperative shall complete the refund of its interim rates that took effect on January 1, 2001. In making its refund, the Cooperative is directed to recalculate, using the rates that were in effect as of December 31, 2000, as adjusted to reflect the changes in Virginia's tax statutes that became effective as of January 1, 2001, each bill it rendered that used in whole or part, the interim rates that became effective on January 1, 2001, and are being replaced by the rates in effect as of December 31, 2000. In each instance where the application of the rates, fees, charges, and terms and conditions of service in effect for December 31, 2000, yields a reduced bill to PGEC's customer, the Cooperative is directed to refund with interest as directed below, the difference.

(4) Interest upon the ordered refunds shall be computed from the date payment of each monthly bill was due during the interim period until the date refunds are made, at an average



prime rate for each calendar quarter. The applicable average prime rate for each calendar quarter shall be the arithmetic mean, to the nearest one-hundredth of one percent, of the prime rate values published in the Federal Reserve Bulletin, or in the Federal Reserve's Selected Interest Rates ("Selected Interest Rate") (Statistical Release G.13), for the three months of the preceding calendar quarter.

(5) The interest required to be paid herein shall be compounded quarterly.

(6) The refunds ordered in Paragraph (3) above may be accomplished by credit to the appropriate customer's account for current customers (each refund category being shown separately on each customer's bill). Refunds to former customers shall be made by check mailed to the last known address of such customers when the refund amount is \$1 or more. PGEC may offset the credit or refund to the extent no dispute exists regarding the outstanding balance of a current customer or a customer who is no longer on PGEC's system. No offset shall be permitted for the disputed portion of an outstanding balance. The Cooperative may retain refunds owed to former customers when such refund amount is less than \$1. However, PGEC shall prepare and maintain a list detailing each of the former accounts for which refunds are less than \$1, and in the event such former customers contact the Cooperative and request refunds, such refunds shall

be made promptly. All unclaimed refunds shall be handled in according with § 55-210.6:2 of the Code of Virginia.

(7) On or before December 21, 2001, PGEC shall file with the Division of Energy Regulation a document showing that all refunds have been lawfully made pursuant to this Order, and itemizing the costs of the refund and accounts charged. Such itemization of costs shall include, inter alia, computer costs, personnel hours, associated salaries, and costs for verifying and correcting the refunds directed in this Order.

(8) Within fourteen days of the entry of this Order, PGEC shall file the cost of service study, and the proposed unbundled rates, fees and charges it intends to rely upon in support of its application for approval of its functional separation plan docketed as Case No. PUE010001.

(9) Case No. PUE000734 shall be dismissed from the Commission's docket of active proceedings and the papers filed herein shall be filed in the Commission's file for ended causes.